

# South Africa **Load shedding** Causes a Catastrophic Disaster on the Economy

Lloyd Magangeni (Professor)

info@drllloyd.co.za or lloydcrine@gmail.com

Economic Research Southern Africa, South Africa

## **Introduction**

South Africa economy is facing an unexampled scenario as load shedding not only affects food security and mobile networks, but entire business sectors and industries. Losses in the manufacturing and finance sectors have both been estimated at more than R 200 billion for this year, with the transport and mining sectors not far behind. Eskom (South Africa electricity utility SOE) have effectively become the most destructive force the South African economy has ever experienced as rolling blackouts are evidently a threat to national security, at economic and social levels.

South African economic growth for next year is expected to be amongst the lowest in Africa. If power utility SOE (Eskom) is left to its own, without the participation of other Independent Energy Producers in the energy market, there is no way that South Africa can aspire to growth numbers and economic expansion that come near other emerging markets. The implications for employment, taxation, the budget deficit, living standards of South Africans and country wide political stability are very serious.

South Africa is now officially in another National State of Disaster in order to respond to the electricity juncture and its consequences. The President of South Africa in his recent State of the nation address, he said; “ The state of disaster will enable us to provide practical measures that we need to take to support businesses in the food production, storage, and retail supply chain, including for the rollout of generators, solar panels, and uninterrupted power supply.”

## **The cost and impact of loadshedding**

According to the report by CSIR energy centre from 2019 where South Africa experienced the riskiest load shedding, it costed the economy up to R120 billion. Already by then it was predicted that load shedding would last up to 3 years and since then, no action has been implemented to turn the situation around to ensure that SA’s energy sector recovers. Load shedding leads to further job losses and in turn results in lower production, spending, and further negatively affecting the economic growth of the country.

Former EIUG said; ‘I don’t see the light at the end of the tunnel. In fact, I see a big train coming down the tunnel at us. We are going to see load shedding and for much longer.’ Load shedding is part of the main reason why the economy is unable to lift itself out of a low growth environment. In situation where there is no power, declining in economic growth is inevitable. Success in businesses thrives in an environment of consistency and are often uncertain about how much to produce given the circumstances of load shedding and it determining the level of output.

Alex forbes chief economist Isaah Mhlanga said “Eskom’s prolonged stage 6 load shedding has already caused significant damage to the country’s economy, with over R4 billion wiped from the GDP for each day it continues.” If it were not for Eskom’s failings, the country’s economy could be between 8% and 10% larger, said Francis Stofberg, senior economist at the Efficient Group. But aside from the damage done to the economy in general, specific sectors are now sounding alarms over the harm caused by Eskom’s load shedding.

Mobile networks; Large-scale network providers are also being hit in all directions by severe load shedding and related battery theft – threatening their reliability and elevating costs. Stuart Perry a science and technology engineering specialist, said; “that mobile towers need roughly 12 hours to recharge their batteries, but load shedding is making it more difficult for them to keep up connectivity. Perry noted; “that above stage 2, it becomes difficult for mobile networks to manage as their battery backups and emergency reserves are relied on further. He said large-scale network providers like MTN are burning 400,000 litres of fuel to keep their towers running and ensure they have time to charge emergency backups. Network towers are interlinked; you may get a signal from a neighbouring one, but if they are susceptible to further load shedding, connectivity could take a hit,” said Perry. Jacqui O’Sullivan, said; “that mobile operators manage to keep networks stable by spending billions of rands on batteries. She told SAfm that it is vital for MTN to ensure it has enough “backup to the backup”, having deployed more than 2,000 generators to keep its towers online when the batteries die.” Perry said that; “load shedding is not the only problem facing mobile networks. There has been an increase in battery theft where criminals are targeting mobile towers, often located in remote areas.” Vodacom said that: “MyBroadBand that local mobile network providers lose hundreds of millions of rands worth of damage to their stations every year due to theft and vandalism, which ultimately impacts the cost of mobile services.”

Perry said that “with consistent load shedding, if the costs associated with keeping connectivity stable continue to rise, they may reach a point where it becomes too expensive for mobile networks, and they would be forced to pass the cost onto the consumer.” Food security; Christo van der Rheede from AgriSA, said that “there are now serious concerns about the availability of fresh and consumable food in South Africa because of the recent load shedding. Farms across the country have been forced to adapt to a ‘new normal’, with workers sometimes having to irrigate farms at night, rescheduling time slots for operations and trying to maintain cold storage systems that are crucial for preserving the freshness of foods.” He said that; “farms have to replace compressors as a result of power surges. Regions such as Joburg and Pretoria have big ripening facilities that harvest avocados, bananas and other fruits – if there is no cold storage, farmers might as well throw their produce away.”

Some of these ‘silent’ costs to the economy include: Tens of thousands of jobs are lost as a direct result of load shedding; Hundreds of thousands of jobs could have been created had load shedding not happened; South Africa’s reputation globally; A loss of confidence by the citizens in the government; The loss of skills and expertise due to emigration. “It’s not just energy that has been allowed to degenerate to this level of dysfunctionality and disruption and damage,” Dr Abedian said. “Increasingly, our rail is the same, our ports are the same. That’s pretty disastrous. A turnaround is needed badly, and there should be absolutely no talk – only action.”

Whenever South Africans hear words loadshedding, they cannot help but have feelings of despondency and frustration, particularly to businesses that are housed in homes or buildings that do not have alternative power solutions like a generator or solar system. South African

businesses feel the loss of power the most, particularly smaller growing businesses that do not have the necessary infrastructure to help cope with the loss of power supply. Not only are businesses trying to whether the storm of the pandemic, they are now faced with the impact of load shedding.

When businesses experience load shedding, some of them are forced to close their doors because they cannot function or run their businesses as they do not have the infrastructure and security is compromised. Load shedding has the potential to breed theft as burglar alarms are rendered unusable or rather cannot operate at optimal levels and this leaves businesses vulnerable to theft and other criminal activities. Small businesses are faced with loss of profits during load shedding because in most cases they require electricity to function and run their businesses. A loss of profits is as a result of loss of production, where employees are essentially not working during periods of load shedding. Not all small businesses have the privilege of alternate power supply. Just with stage 2 of load shedding over the last couple of weeks, South Africa has been said to have lost R2billion.

Small growing businesses are at the heart of South Africa's economy as they provide employment to majority of South Africa's population and 3 to 4 hours without electricity has major financial implications on these businesses. Not only do businesses loose production and profits, they have no access to Wi-Fi which relies on electricity and when businesses are not able to connect to the network, they may miss important information or not have the ability to send out quotations, invoices, etc. Load shedding affects traffic lights – this can potentially result in missed meetings, arriving late at work or deliveries delaying and goods not arriving on time. Although load shedding schedules are provided and businesses may try plan accordingly and try incorporate the schedule times in their business operations, this is not a sustainable long-term solution.

### **Potential Economic Growth Outlook**

South Africa's National Energy Crisis Committee says, it is amending the Electricity Regulation Act by removing the licensing requirement for generation projects, which will significantly accelerate private investments. This is a better move towards accommodating the private sector. It has also instructed departments to cut red tape and streamline regulatory processes for energy projects, including reducing the timeframe for environmental authorisations to 57 days from over 100 days previously; reducing the registration process from four months to three weeks; and ensuring that grid connection approvals are provided within six months. Eskom has developed and launched a programme to purchase power from companies with available generation capacity through a standard offer. The first contracts are expected to be signed in the coming weeks. A team of independent experts has been established to work closely with Eskom to diagnose the problems at poorly performing power stations and take action to improve plant performance. Six power stations have been identified for particular focus over the coming months through a comprehensive Generation Recovering Plan, with oversight from the new Eskom board. Add additional 300 MW has been imported through the Southern African Power Pool, and negotiations are underway to secure a potential 1000 MW from neighbouring countries starting this year.

## Conclusion and Future Expectations

President of South Africa appointed the Minister of electricity who will be reporting to the President and as well as new arrangements done by National Energy Crisis Committee to deal with electricity swiftly. This will be a very tough crisis to deal with as electricity will continue to be consumed daily, as they will need an extra supply to be able to stabilize and maintain the previous stability of electricity in the country. More funds will need to be popped up; independent energy providers will need to deliver their promises. This will be tough in the beginning, there will be able to recuperate the State-Owned Enterprise if they practice what they are preaching and corruption mitigated as well as political wars harmonized for the sake of the nation's progression and future prosperity.

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